



GOVERNING BOARD MEETING MINUTES

South Bay Regional Public Safety Training Consortium

**Thursday, July 23, 2020
Special Board Meeting**

8:30 a.m. – South Bay Regional Public Safety Training

Zoom Meeting

I. Call to Order

Dr. Kathleen Rose called the meeting to order at 8:32 a.m.

Present:	Dr. Kathleen Rose	Gavilan College
	Mr. David Martin	Monterey Peninsula College
	Mr. Michael Renzi	Gavilan College
	Ms. Michelle Schneider	College of San Mateo
	Dr. Kathleen Welch	Cabrillo College
	Ms. Gerlinde Brady	Cabrillo College
	Dr. Chris Dela Rosa	Ohlone College
	Dr. Cathryn Wilkinson	Hartnell College
	Mr. Brad Deeds	Lake Tahoe Community College
	Mr. Jeff DeFranco	Lake Tahoe Community College
	Michael Schachter	Ropers Majeski PC
	Hilary Vari	Ropers Majeski PC
	Sherman Wong	Public Agency Law Group
	Ms. Linda Vaughn	SBRPSTC
	Mr. Gregg Giusiana	SBRPSTC
	Mr. Ernie Smedlund	SBRPSTC
	Mr. Edward Flores	SBRPSTC
	Mr. Michael Manning	SBRPSTC
Absent:	Mr. Michael Claire	College of San Mateo
	Dr. Jon Knolle	Monterey Peninsula College
	Ms. Linda Wilzcewski	Hartnell College
	Dr. Ghada Al-Masri	Ohlone College

a. Approval of Agenda (A)

Motion: Dr. Cathryn Wilkinson

2nd: Mr. David Martin

Agenda approved unanimously

II. Public Comment

No public members present.

III. Closed Session: Joint Use Agreement

IV. Business

a. Closed Session Report – Joint Use Agreement (A)

Dr. Rose reported that Gavilan will need to review the document received during the closed session before it can be brought back to the Board at the next meeting.

Ms. Vaughn noted that South Bay has been working with a Real Estate Broker and asked Mr. Ed Flores to report. Mr. Flores advised the Board that he has not been part of the negotiating team, however, he was asked, internally, to contact a Real Estate Broker who deals with Commercial properties, similar to the Coyote Valley Campus. He has been in contact with Geri Wong, Senior Managing Director with Newmark Knight Frank. Mr. Flores has had conversations with her regarding the Fair Market Value for a building of this size and for this type of use, referring to the Coyote Valley Site. She indicated it was hard to come up with comps, due to the current COVID-19 crisis and the lack of completed Leases. Overall, she came up with comps ranging from \$1.25 - \$1.75 per square foot for buildings similar to Coyote.

Ms. Wong was unable to join the meeting due to a prior arrangement. However, Mr. Flores wanted to share that she did say “It’s hard to develop comps when there is not much movement in the lease market. The best deal is one that is affordable and reasonable for both sides. It doesn’t make sense to get into a long-term agreement if either side can’t afford it or sustain it.” Mr. Flores advised that Ms. Wong continues to keep her eyes open for anything that might be. In fact, two days ago, she shared a property that is currently coming up for sale in Morgan Hill. It is currently being used as an educational facility for an elementary school. It will be listed for \$9 million. The building is approximately 39,000 sq. ft. with a conditional use agreement permit in place. Assuming that 10% would be required as down payment, this calculates to about \$40k monthly, \$480k a year. This excludes utilities, over-heads, etc.

Mr. Flores shared that this could be an attractive possibility and would add to the long-term assets for the organization and the Consortium. Since South Bay wouldn’t require the entire square footage, the Realtor advised that there is another interested party that would be willing to take 10k square feet. This would be considered as a source of revenue for South Bay and help to offset monthly expenses.

Dr. Rose advised that the Board did not receive any of this information prior to this meeting. She suggests that this be brought to the next meeting as an agenda item and make sure that the information is sent with the next Board Update. At this point, she believes that the Board is unable to make any comments.

Ms. Vaughn advised that this was brought to the meeting at the request of Mr. DeFranco at the last meeting. It was asked that South Bay bring legal representation, along with the Realtor, to provide this type of information and updates. Unfortunately, the Realtor wasn't able to join today and the information received about the property for sale had only been given to us 2 days ago.

Ms. Vaughn shared a spreadsheet that showed financial projections, and the effects of the ending fund balance, assuming that nothing changes on the proposed Lease Agreement. By the end of FY23-24, the Reserve Fund will show a negative balance. Purchasing a property will elicit the same results until FY23-24 but with an asset. Ms. Vaughn clarified that this is all anecdotal information and has a direct impact on the sustainability and funding for the organization. She reminded the Board that South Bay is the colleges' program and not a completely separate entity just because we are not directly on their campuses. We are not an Instructional Services Agreement. As we continue to move forward, Ms. Vaughn is hopeful that we can come to an agreement that will work for everyone and to make sure that we remain sustainable.

Dr. Rose shared that the District has not been asked to share what the cost is to the District to operate on Coyote Valley. This is something that can be brought to the Board to indicate what was the initial discussion about ensuring fair and equitable usage of the property within the guidelines of the cost and revenue that is currently generated by FTEs, Contract Education, Testing, etc.

Together with the executive team, and their attorney's, further discussion will need to be made to discuss the next steps.

A follow-up packet is expected to go out to the Board after this meeting and since the next meeting isn't until September, there may be another meeting scheduled before then.

V. Announcements

VI. Adjournment

Meeting was adjourned at 9:26 a.m.

Next regular JPA Board meeting is scheduled for September 17, 2020



THE ACADEMY

560 BAILEY AVENUE
SAN JOSE, CA 95141
408-229-4299
THEACADEMY.CA.GOV

Dear Board Members,

During the July 16, 2020 JPA Board Meeting, the Consortium Staff was asked to schedule a Special Board Meeting for July 23rd to discuss the tabled Agenda Item relating to the proposed Gavilan Joint Use Agreement for the Coyote Valley Campus. The Board requested we invite our legal counsel and real estate consultant to attend the meeting. We believed we were tasked with presenting thoughts, opinions and advice (ours, legal and expert) to the Board so they could consider potential options and make an informed decision regarding how to proceed with the proposed Joint Use Agreement for the Coyote Valley Campus.

Background Information:

Prior to the June JPA Board meeting we contacted JPA Attorney John Shupe and asked him to review the current Use Agreement as it related to the request by Gavilan to pay FY 2019-2020 Utilities, maintenance and janitorial (etc.) costs. Mr. Shupe declared a conflict of interest and recommended that we contact another law firm to assist us. The Consortium began working with Ropers Majeski PC, Enrique Marinez and Michael Schachter on June 25th regarding the existing lease agreement, the invoice from Gavilan College for direct costs related to FY2019-20, and the new joint use agreement. Mr. Schachter provided an opinion on the existing lease, in the form of a draft letter to Gavilan College. We consulted with the Board Vice Chair, who advised us to contact Gavilan College to ask some clarifying questions and requested we not send the draft letter pending answers to those questions. Mr. Schachter also provided comments, questions and concerns regarding the new Agreement. Various comments, questions and concerns were voiced verbally and in writing during discussions with Gavilan College throughout the negotiation process that began in April.

A draft of the Agreement was presented to the Board during the June meeting along with potential implications related to the FY2020-21 General Fund Budget. In negotiations we were advised that Gavilan would not accept a value less than \$1.75/square foot for the Coyote Valley Campus property. On July 13th, we received a version of the Use Agreement from Gavilan and were asked to proceed with placing it on the Agenda for the July 16th JPA meeting. At that meeting the item was tabled. During subsequent conversations with Mr. Schachter, he recommended creating a “mark-up” version of the new Agreement addressing his and our concerns, to present to the JPA Board. After consultation with the Board Vice Chair, a determination was made to send the “mark-up” version of the Use Agreement to the Board Members who had indicated they would be attending the meeting on July 23rd. We received the document on July 22nd at 4:00pm and sent it to Board members via email.

Since April, South Bay Staff has been working with a local commercial real estate expert, Geri Wong of Newmark Knight Frank. She has advised that it is difficult to identify comparable properties to suit our needs and shared that pricing for commercial properties are determined based upon many factors including: location, access to public transportation, access to other services, current condition of property (office space defined or interior undeveloped), zoning for the property use, shared use versus sole occupancy, etc. To the best of her abilities she provided “comps” from October 2019-March 2020 (pre-COVID) as well as June 3, 2020 using the same

parameters. Those reports are included as separate documents (attachments). For the space needed for South Bay, pricing ranged from \$0.50 per square foot for undeveloped interior building space, to \$2.75 per square foot for smaller office space only located in established business parks or downtown areas. We initially proposed a cost of \$1.35/square foot to Gavilan College based upon information Ms. Wong provided. Although we did not ask her to do so, on July 21st Ms. Wong identified a potential property that would be available for purchase shortly that she believed might meet our administrative and operational needs, and inquired whether purchase might be an option. Between July 21 & 22nd Ms. Wong conducted additional research and provided us with the information for consideration.

Summary

At the July 23rd Special Board Meeting, South Bay Staff intended to present the “mark-up” version of the Agreement to indicate areas where we continued to have concerns or questions that had yet to be addressed or were dismissed by Gavilan negotiations staff. Based upon information and advice from Counsel and our Realtor we drafted an Agreement indicating monthly payments for the office space that is exclusively used by the Consortium, and that we would subsequently pay a daily or monthly use rate for classrooms. As referenced in the body of the Agreement, an Exhibit must still be developed for “daily use” for pro rata reimbursement for Gavilan College use of the facility (Section 6.2). The other substantive items our Counsel included were an Indemnification clause and Termination clause for the Consortium that were previously not included in the Agreement. As our understanding was that the Board wanted advice and options, the “mark-up” Use Agreement was for discussion and consideration purposes.


We also developed a spreadsheet to anecdotally show the implications of the potential annual costs on the Consortium’s All-Funds Reserve balance (attachment). The spreadsheet assumes that the SCFF Funding values do not decrease over the years, that the Consortium will meet all its allocations to the colleges and attain the same supplemental allocation numbers, and that there is no decrease in contract income from POST or State Fire Training. Using the Agreement proposed by Gavilan College the Consortium reserves will not sustain the organization after FY 2022-23. Using the “mark-up” Agreement and building in \$200K in additional payments for classroom space, the Consortium Reserves will not sustain the organization after FY 2023-24. Lastly, based upon the idea/potential of purchasing the property identified by our realtor, the Consortium Reserves will not sustain the organization beyond FY 2022-23.

Other ideas we intended to share include:

- Separating the Consortium Offices from the Instructional Space (MPC & CSM Academies are already separate) in an attempt to lower costs.
- Reduce office space to a minimum and allow staff to work remotely as appropriate, thereby reducing total space requirements and associated costs.

In keeping with our Mission statement, South Bay is committed to providing exceptional Public Safety Training throughout the Region and State. We do not believe it prudent to engage in a five (5) year Agreement with Gavilan College when based upon financial projections we will be unable to fulfill that obligation. The Consortium provides this information for your consideration and guidance on how the JPA Board would like us to proceed.

Lease Comparables


1  **12,590 SF Flex Lease Signed Jan 2020 for \$1.25 Triple Net (Asking)** ★ ★ ★ ★ ★
15750 Vineyard Blvd - 1st Floor Direct
Morgan Hill, CA 95037 - Morgan Hill Submarket

Asking Rent: \$1.25/NNN	Start Date: Apr 2020	Free Rent:	Deal Type: New Lease	Property Type: Flex Class B
Starting Rent:	Term:	Escalations:	On Market: 27 Mos	Building Area: 50,355 SF
Effective Rent:	Exp. Date:	TI Allowance:	Build-Out:	Built/Renov: 1998/
		Office Area:	Dock/Drive In:	Parking Ratio: 3.30/1,000 SF

Landlord: **Vanni Properties, Inc.**
 Tenant SIC:

Lease Notes:

ID# 171303541


2  **22,043 SF Flex Lease Signed Dec 2019 for \$1.75 Triple Net (Asking)** ★ ★ ★ ★ ★
17 Great Oaks Blvd - 1st Floor Direct
San Jose, CA 95119 - South San Jose Submarket

Asking Rent: \$1.75/NNN	Start Date: Jan 2020	Free Rent:	Deal Type: New Lease	Property Type: Flex Class B
Starting Rent:	Term:	Escalations:	On Market: 8 Mos	Building Area: 22,043 SF
Effective Rent:	Exp. Date:	TI Allowance:	Build-Out:	Built/Renov: 1998/
		Office Area:	Dock/Drive In: /3	Parking Ratio: 10.00/1,000 SF

Landlord: **Charles & Susan Leiter**
 Tenant SIC:

Lease Notes:

ID# 171945601

3  **5,760 SF Flex Lease Signed Nov 2019 for \$1.65 Triple Net (Asking)** ★ ★ ★ ★ ★
6540-6541 Via Del Oro - 1st Floor Direct, Leased by Lung Cancer Proteomics LLC
San Jose, CA 95119 - South San Jose Submarket

Asking Rent: \$1.65/NNN	Start Date: Feb 2020	Free Rent:	Deal Type: New Lease	Property Type: Flex Class B
Starting Rent:	Term:	Escalations:	On Market: 25 Mos	Building Area: 31,800 SF
Effective Rent:	Exp. Date:	TI Allowance:	Build-Out:	Built/Renov: 1980/
		Office Area:	Dock/Drive In:	Parking Ratio: 3.90/1,000 SF

Landlord: **DRA Advisors LLC**
 Tenant SIC:

Lease Notes:

6/24/2020

ID# 170442001 Page 1

Lease Comparables



5,368 SF Office Lease Signed Oct 2019 for \$1.25 Triple Net (Asking)
 6203 San Ignacio Ave - 1st Floor Sublease
 San Jose, CA 95119 - South San Jose Submarket



Asking Rent:	\$1.25/NNN	Start Date:	Oct 2019	Free Rent:		Deal Type:	New Lease	Property Type:	Office Class B
Starting Rent:		Term:		Escalations:		On Market:	6 Mos	Building Area:	116,779 SF
Effective Rent:		Exp. Date:		TI Allowance:		Build-Out:		Built/Renov:	1992/
Amenities:	Air Conditioning, Automatic Blinds, Central Heating, Drop Ceiling, Fully Carpeted, Kitchen, Natural Light								

Landlord: 777 Welch Road Partners, LLC
 Tenant SIC:

Lease Notes:

ID# 168171381

Lease Comps Search Criteria

Basic Criteria

Space Use	Office, Flex
SF Leased	from 5000 SF
Sign Date	10/01/2019 - 03/31/2020
Lease Type	Direct, Sublease
Deal Type	New Lease
Lease Status	Executed

Geography Criteria

Submarket	Morgan Hill (San Jose), South San Jose (San Jose)
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Properties for Lease

1 155 E Main Ave, Morgan Hill, CA 95037



Rental Rate Mo	\$1.75 USD/SF/Mo	Property Notes
Spaces	2	
Status	Active	

Spaces

#	Total Space Avail.	Rental Rate	Min Divisible	Max Contig.	Lease Type	Date Avail.	Description	Service Type
1st Fl-Ste 150	6,446 SF	\$1.75 /SF/MO	6,446 SF		Relet	Now	Office R&D For Lease 155 E. Main Avenue, Suite 150, Morgan Hill, CA ±6,446 Square Feet-High Image & Identity-Two Blocks from Downtown Morgan Hill-100% 12' Drop Ceiling / HVAC-200 Amps 480 Vol ...	Triple Net
1st Fl-Ste 130	3,275 SF	\$2.50 /SF/MO	3,275 SF		Relet	Now	-High Image & Identity -2 Block From Downtown- 100% 12' Drop Ceiling / HVAC- 3/1,000 SF Parking Ratio (Includes Parking in Rear) - Excellent Signage-Near Numerous Retail Amenities-1 Block From Calt ...	Full Service Gross



Rental Rate Mo Upon Request
 Spaces 2
 Status Active
 Property Notes

Spaces

#	Total Space Avail.	Rental Rate	Min Divisible	Max Contig.	Lease Type	Date Avail.	Description	Service Type
1st Floor	30,000 - 57,952 SF	Upon Request	57,952 SF	120,000 SF	Relet	30 Days	High Identity Location - Corporate Headquarters Environment Two Story Office/R&D Building Building was a Build to Suit for Government Defense Contractor Interiors to Suit ±3,000 Square Foot Anechoic ...	Negotiable
2nd Floor	30,000 - 62,048 SF	Upon Request	62,048 SF	120,000 SF	Relet	30 Days	High Identity Location - Corporate Headquarters Environment Two Story Office/R&D Building Building was a Build to Suit for Government Defense Contractor Interiors to Suit ±3,000 Square Foot Anechoic ...	Negotiable

Property Description

High Identity Location - Corporate Headquarters Environment Two Story Office/R&D Building Building was a Build to Suit for Government Defense Contractor Interiors to Suit ±3,000 Square Foot Anechoic Chambers (can be removed) 2-Story Lab Area Onsite Server Room with Back up Breaker and Redundant Cooling Extensive Glass Line Showers on Ground Floor 3,000 Amps of Power 3.8/1,000 Parking Ratio Amenity Rich Area Close proximity to Highway 101 and Monterey Highway



Rental Rate Mo \$1.35 USD/SF/Mo
 Spaces 1
 Status Active
 Property Notes

Spaces

#	Total Space Avail.	Rental Rate	Min Divisible	Max Contig.	Lease Type	Date Avail.	Description	Service Type
1st Floor	40,000 SF	\$1.35 /SF/MO	40,000 SF		Sublet	30 Days	Free-standing, single-story office/R&D building, in a campus environment Efficient open floorplan with extensive glass line Grade level loading 3.8 parking spaces per 1,000 SF leased	Triple Net

4 1295 E Dunne Ave, Morgan Hill, CA 95037



Rental Rate Mo Upon Request Property Notes
 Spaces 2
 Status Active

Spaces

#	Total Space Avail.	Rental Rate	Min Divisible	Max Contig.	Lease Type	Date Avail.	Description	Service Type
2nd Floor	1,090 SF	Upon Request	1,090 SF		Relet	Now		Negotiable
2nd Floor	990 SF	Upon Request	990 SF		Relet	Now		Negotiable

5 275 Tennant Ave, Morgan Hill, CA 95037



Rental Rate Mo \$1.60 USD/SF/Mo Property Notes
 Spaces 2
 Status Active

Spaces

#	Total Space Avail.	Rental Rate	Min Divisible	Max Contig.	Lease Type	Date Avail.	Description	Service Type
1st Fl-Ste 100	3,560 SF	\$1.60 /SF/MO	3,560 SF		Relet	30 Days		Modified Gross
1st Fl-Ste 107	897 SF	\$2.00 /SF/MO	897 SF		Relet	Now	Private offices with Open Area. Current used as an Insurance agency. Direct deal with the landlord.Call to Tour. Do not disturb Tenant.	Modified Gross



Rental Rate Mo \$1.25 USD/SF/Mo
 Spaces 4
 Status Active

Property Notes

Spaces

#	Total Space Avail.	Rental Rate	Min Divisible	Max Contig.	Lease Type	Date Avail.	Description	Service Type
1st FI-Ste 404B	2,153 SF	\$1.25 /SF/MO	2,153 SF		Relet	Now	Upstairs office.	Full Service Gross
1st FI-Ste 223	823 SF	\$2.75 /SF/MO	823 SF		Relet	Now	NNN = 41 cents including trash and building water.	Triple Net
1st FI-Ste 224	1,340 SF	\$2.75 /SF/MO	1,340 SF		Relet	Now	NNN = 41 cents including trash and building water.	Triple Net
1st FI-Ste 217	1,107 SF	\$2.75 /SF/MO	1,107 SF		Relet	Now	NNN = 41 cents including trash and building water.	Triple Net



Rental Rate Mo \$0.50 USD/SF/Mo
 Spaces 2
 Status Active

Property Notes

Spaces

#	Total Space Avail.	Rental Rate	Min Divisible	Max Contig.	Lease Type	Date Avail.	Description	Service Type
1st Floor	57,952 SF	\$0.50 /SF/MO	57,952 SF	120,000 SF	Sublet	Now	Two-story office/ R&D building ±25,000 RSF to ±120,000 RSF 3,000Amps 277/480 V 3.8 /1,000 parking Easy Access to Highway 101 High identity location - Corporate headquarters environment Available ...	Triple Net
2nd Floor	25,000 - 62,048 SF	\$0.50 /SF/MO	62,048 SF	120,000 SF	Sublet	Now	Two-story office/ R&D building ±25,000 RSF to ±120,000 RSF 3,000Amps 277/480 V 3.8 /1,000 parking Easy Access to Highway 101 High identity location - Corporate headquarters environment Available ...	Triple Net



Rental Rate Mo Upon Request
 Spaces 2
 Status Active
 Property Notes

Spaces

#	Total Space Avail.	Rental Rate	Min Divisible	Max Contig.	Lease Type	Date Avail.	Description	Service Type
1st Floor	4,500 SF	Upon Request	4,500 SF	9,000 SF	New	Now	Commercial Space is currently available on the 1st and 2nd floor of the mixed use building with premium visibility from Monterey Highway. Potential users please contact us for further discussions. Ba ...	Negotiable
2nd Floor	4,500 SF	Upon Request	4,500 SF	9,000 SF	New	Now	Commercial Space is currently available on the 1st and 2nd floor of the mixed use building with premium visibility from Monterey Highway. Potential users please contact us for further discussions. Ba ...	Negotiable

Property Description

Visit our website for more information www.gunterlofts.com

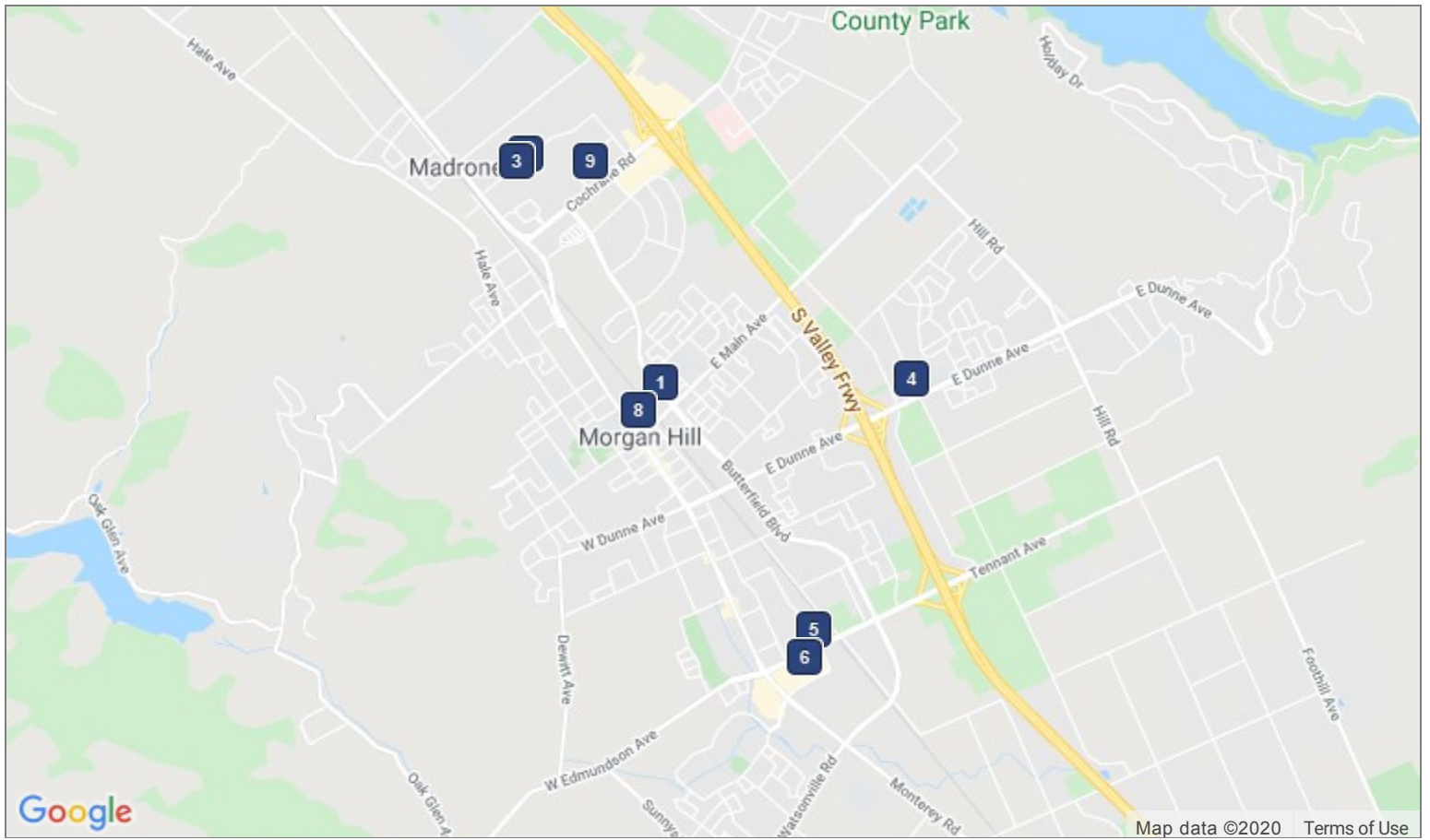


Rental Rate Mo \$1.20 USD/SF/Mo
 Spaces 1
 Status Active
 Property Notes

Spaces

#	Total Space Avail.	Rental Rate	Min Divisible	Max Contig.	Lease Type	Date Avail.	Description	Service Type
1st Fl-Ste 300	6,637 SF	\$1.20 /SF/MO	6,637 SF	6,637 SF	Relet	Now	Office/R&D space, 2 Conference Rooms, 10 Private Offices, Storage Room, Kitchen, Open Office, 2 Private Restrooms. Available with 30 days notice.	Triple Net

Map



1 155 E Main Ave
Morgan Hill, CA 95037

2 18705 Madrone Pky
Morgan Hill, CA 95037

3 18715 Madrone Pky
Morgan Hill, CA 95037

4 1295 E Dunne Ave
Morgan Hill, CA 95037

5 275 Tennant Ave
Morgan Hill, CA 95037

6 235 Tennant Sta
Morgan Hill, CA 95037

7 18705 Madrone Pky
Morgan Hill, CA 95037

8 17620 Monterey St
Morgan Hill, CA 95037

9 350 Woodview Ave
Morgan Hill, CA 95037

Anecdotal Implications of Potential Annual Facilities Costs on the Consortium's All-Funds Reserve Balance

Assumes: SCFF Funding values do not decrease over the years, the Consortium will meet all its allocations to the colleges and attain the same supplemental allocation numbers, and no decrease in contract income.

		With Gavilan Lease Costs				
	FY 2018-19	Projected FY 2019-20	Projected FY 2020-21	Projected FY 2021-22	Projected FY 2022-23	Projected FY 2023-24
Over/Under						
Operations Budget	\$301,746.00	-\$640,588.00	-\$1,053,653.00	-\$1,373,309.00	-\$1,393,555.00	-\$1,414,408.00
Ending Fund Balance	\$5,541,180.00	\$4,916,200.00	\$3,862,547.00	\$2,489,238.00	\$1,095,683.00	-\$318,725.00

		Revised Lease Agreement				
		Projected FY 2020-21	Projected FY 2021-22	Projected FY 2022-23	Projected FY 2023-24	Projected FY 2024-25
Over/Under						
Operations Budget		-\$838,273.00	-\$1,145,125.00	-\$1,153,347.00	-\$1,160,200.00	-\$1,128,782.00
Ending Fund Balance		\$4,077,927.00	\$2,932,802.00	\$1,779,455.00	\$619,255.00	-\$509,527.00

		Purchase Property			
		Projected FY 2020-21	Projected FY 2021-22	Projected FY 2022-23	Projected FY 2023-24
Down Payment		-900000			
Over/Under					
Operations Budget		-\$852,335.00	-\$1,158,029.00	-\$1,158,029.00	-\$1,158,029.00
Ending Fund Balance		\$3,163,865.00	\$2,005,836.00	\$847,807.00	-\$310,222.00